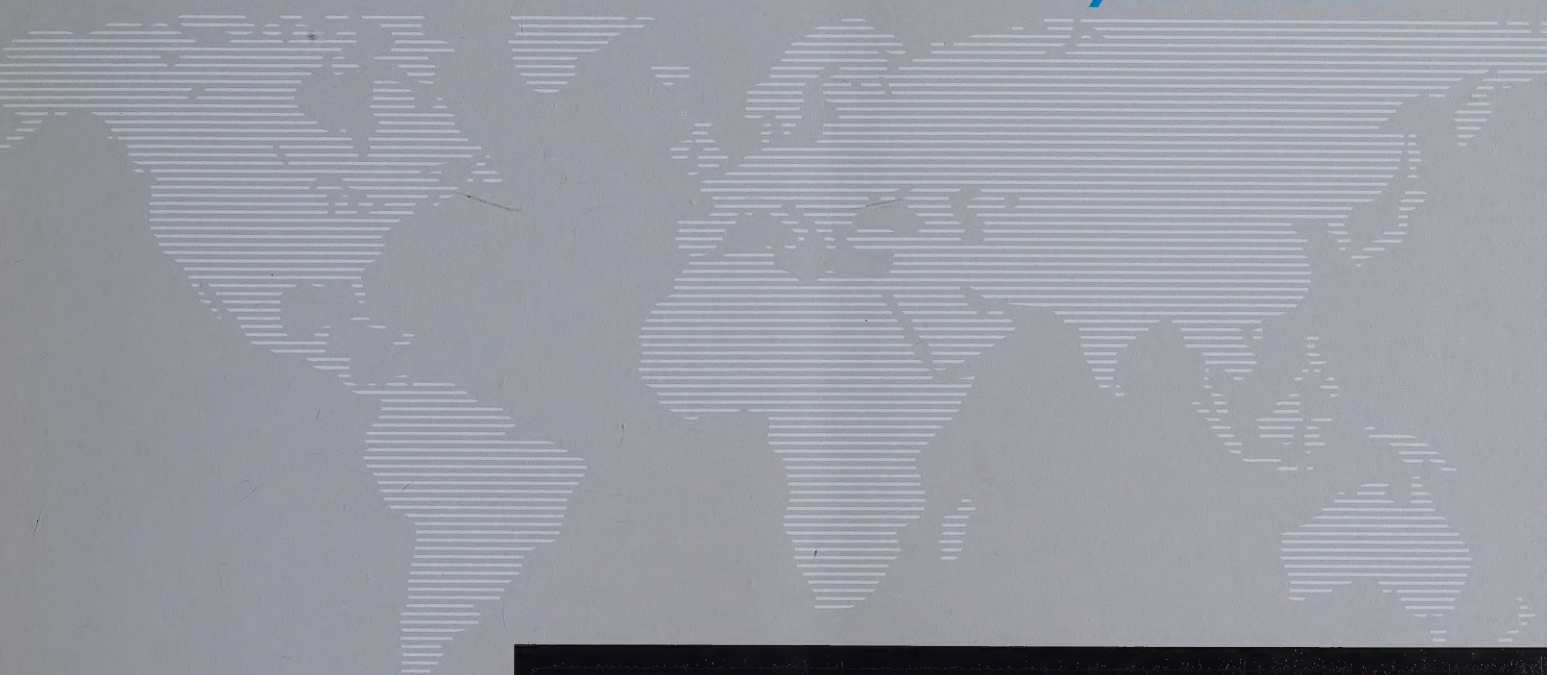


AR27

Polysar Limited



***1983
Annual Report***



Corporate Profile

Polysar Limited is a Canadian international company. With corporate headquarters in Sarnia, Canada, the Polysar Group has plants and offices in 15 countries. Its major production facilities are in Canada, the United States, Belgium, France, The Netherlands and Germany. Employing some 6,000 people, the Polysar Group sells its products in virtually every country of the world.

Polysar is the free world's largest producer of synthetic rubber and foam latex as well as being an important supplier of carboxylated latex. Polysar produces styrene monomer in Canada and is a supplier of polystyrene resin in Canada and the United States. The company has a leading position in formed plastic products in Western Europe and is a growing supplier of rubber custom compounding services in the United States. Most of the company's products are sold to other manufacturers who further process them to produce finished consumer and industrial products.

All the company's outstanding common shares are held by Canada Development Corporation. The company's preferred shares are widely held by the Canadian public.

Vision

A restructuring of the global petrochemical industry began in the late 1970s. As this rationalization continues towards the year 2000, there will likely be many local and regional petrochemical enterprises, but no more than 20 truly international petrochemical companies left. Polysar intends to be one of the 20, with a strong global position in several specialty products and major manufacturing facilities in its key markets.

In an established capital intensive industry, it is essential to plan well into the future. Our vision for Polysar in the year 2000 provides the direction and the goals for our long-range planning.

Polysar in the year 2000

- a major international petrochemical company
- leader in several significant businesses
- recognized for its technical superiority and excellence of products and services
- an innovative company
- financially successful
- a good place to work
- a valued member of its community

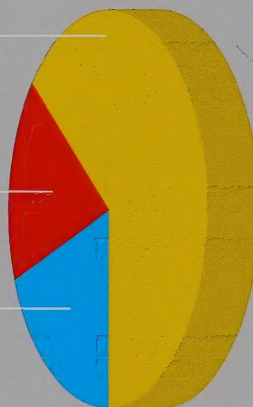
Cover: The new Butyl Rubber Plant in Sarnia—Polysar's largest single plant investment ever.

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Polysar Limitée
Secrétariat
201 Front Street North
Sarnia (Ontario)
Canada N7T 7V1

Rubber
\$824 million,
62%

Latex
\$272 million,
20%

Plastics & Chemicals
\$234 million,
18%



**1983 Sales Revenue
by Product**

Canada
\$227 million,
17%

United States
\$542 million,
41%

Europe
\$397 million,
30%

Other
\$164 million,
12%



**1983 Sales Revenue
by Market Area**

Financial Highlights

Sales unchanged at \$1.3 billion

*Earnings improved from a loss of \$31 million
to a profit of \$9 million*

*Cash requirements of \$177 million (including
\$144 million of capital spending) financed entirely
from internal sources*

*Capital employed increased \$60 million
to \$1.2 billion*

Polysar Limited		
Year ended December 31	1983	1982
Operations (\$ millions)		
Sales and other income	1,336.9	1,328.7
Net income (loss)	8.7	(30.5)
Cash from operations	62.2	1.7
Per Common Share (\$)		
Net income (loss)	.07	(1.45)
Dividends	.27	.26
Financial Position (\$ millions)		
Working capital	156.2	190.3
Long-term debt	660.2	579.4
Minority interest	85.2	85.4
Shareholders' equity	387.3	392.3
Total assets	1,453.0	1,438.3

President's Report

In 1983 Polysar successfully reversed the downward earnings spiral of the last two years. Profitability was restored after the company's only loss ever in 1982. Several new cost reduction programs, combined with the full year effect of earlier initiatives, cut more than \$50 million out of operating costs. At the same time, a continuing strategic thrust to concentrate on higher margin specialty products resulted in enhanced profitability despite only modest volume increases.

Each operating group recorded significantly improved earnings. Styrenics operations were profitable after suffering substantial losses for two years. Latex earnings are now at satisfactory levels and rubber operations bounced back from a loss year to record a profit in 1983.

These results were most gratifying and impressive considering

that most of Polysar's worldwide markets remained in the grip of recession. European and Asian markets were flat throughout the year and North American markets for Polysar's products only began to respond to the economic recovery late in the third quarter.

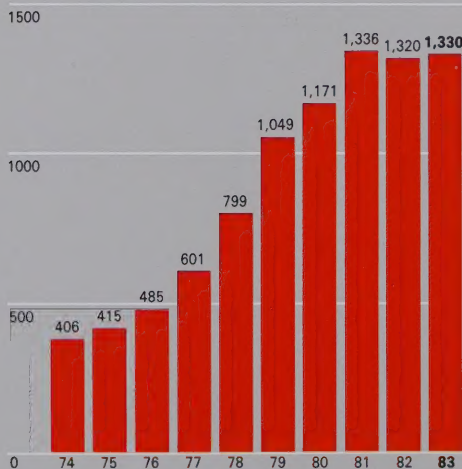
Major Events

In addition to improving profitability, 1983 was a year of important operating accomplishments. Construction of the new butyl rubber plant and supporting facilities in Sarnia was completed, permitting startup in January, 1984. Incorporating the most modern process equipment, this \$375 million investment will ensure Polysar's continued role as an international leader in this important segment of the rubber

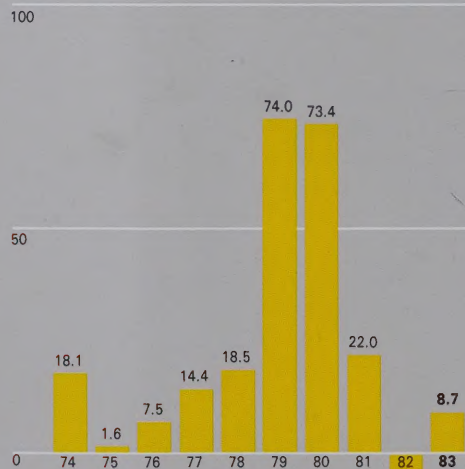
business. A new state-of-the-art waste water treatment plant for the Sarnia site also began operating in 1983. Combined with existing facilities, it ensures that process water discharged into the St. Clair River meets or exceeds all environmental regulations.

We successfully consolidated European head offices and marketing arms in Fribourg, Switzerland, and closed the Polysar office in Brussels. Also in Europe, our Bellaplast formed plastics operations have been revitalized by decentralizing authority and responsibility with local managers. These efforts, combined with increased sales of premium products, excellent plant performance and working capital reductions, contributed to particularly successful financial results in Europe.

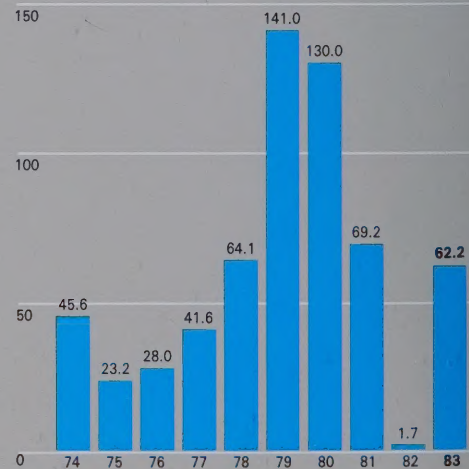
In Asia, Polysar's presence was strengthened by an expansion of



Sales Revenue
(\$ Millions)



Net Income (Loss)
(\$ Millions)



Cash Flow from Operations
(\$ Millions)

the Tokyo office and the opening of a new office in Hong Kong. The Pacific Rim holds great potential for further growth as China's natural rubber-based industry is gradually converted to synthetic products.

Concern Over Petrosar

Polysar is the major shareholder in Petrosar Limited. Located near Sarnia, Ontario, Petrosar provides a substantial portion of Polysar's North American requirements for primary petrochemicals. Petrosar's financial condition has deteriorated over the past few years due to regulated price changes in crude oil which continue to be a source of concern.

Substantial capital expenditures in recent years have made this facility highly efficient and cost effective. However, Petrosar's crude oil feedstock costs have risen to be higher than the free market prices paid by its U.S. Gulf Coast competitors. This is particularly significant because feedstock costs account for 70 percent of manufacturing costs. Relief from this regulated cost disadvantage is essential to the long-term health of Petrosar and the entire Canadian petrochemical industry.

Recognizing the critical nature of the problem, a broadly based industry-labour task force was formed in March, 1983. Its purpose was to assess future prospects for the Canadian petrochemical industry and to make recommendations to the federal government concerning policy changes required to restore the industry's health. I was privileged to be a member of the task force and represented both Polysar and Petrosar. After due consideration of input from the major

Canadian petrochemical producers, various trade associations and the Energy and Chemical Workers Union, as well as the provincial governments of Alberta, Ontario and Quebec, the task force presented its unanimously endorsed report on February 6, 1984.

Polysar and Petrosar strongly support the report's conclusions and recommendations in all of the five areas addressed: feedstocks, international markets, transportation, technology and capital costs. A discussion of the key recommendations, especially those relative to feedstock costs, is included on page 5. If these key points are accepted and implemented, we believe that the petrochemical industry in Canada, which is modern and world scale, can successfully compete in global markets, and that Petrosar can again play an important and profitable role in a healthy and competitive Canadian petrochemical industry.

Financial Performance

Our first objective for 1983 was the restoration of profitability and the strengthening of the company's financial condition.

Net earnings of \$8.7 million, equal to seven cents per common share, while not providing close to a satisfactory rate of return, were a substantial improvement over the net loss of \$30.5 million or \$1.45 per share suffered in 1982. It is noteworthy that the improvement was achieved despite the large losses at Petrosar. Polysar's share of Petrosar's loss was \$24.2 million in 1983 compared with \$4.7 million in the previous year. Excluding the Petrosar losses, Polysar's after-tax results improved by \$58.7 million.

Internal cash generation from operations and from reductions in working capital was sufficient to

cover the year's capital expenditures and permit a small reduction in net borrowings. By comparison, new borrowings of nearly \$120 million and an increase in common share capital of \$50 million were required to meet cash requirements in 1982. The year-over-year cash improvement resulted from substantially better business operations, effective management of assets, and a 30 percent reduction in capital spending to \$144.2 million in 1983.

Total assets remained essentially unchanged in 1983 but the mix of assets changed. The addition of new facilities and equipment was offset by a managed reduction in inventories and other current assets. To match the new asset mix better, the company's borrowings also were adjusted. Short-term bank borrowings were reduced by \$88 million and long-term debt was increased by \$81 million.

Strong progress was made in 1983 towards improving the Company's ability to carry and service its heavy debt load. Nevertheless, with debt still nearly double the level of equity, the task of strengthening our financial condition through improving earnings and internal cash generation remains a priority.

Objectives and Outlook

With the completion of several major capital expenditure programs in the past three years, existing capacity is sufficient to meet market needs for several years. Our challenge now is to effectively use this infrastructure and to work towards the vision we have for Polysar in the future.

To ensure Polysar's position as a major international petrochemical company by the year 2000, we are evolving a strategy calling

for excellence and leadership in a number of significant business segments. Our acquisitions in The Netherlands and Texas in 1981 were important steps. The new butyl rubber plant is another example of this strategy, building on our already strong position in butyl rubber worldwide.

To achieve our goal as the best, rather than the largest, petrochemical company in the world, Polysar is dedicated to innovation, reliability, quality and technical superiority—characteristics calculated to win and maintain confidence in an intensely competitive market. The formation of a Corporate Research and Development Group in 1983 will ensure the future enhancement of each of these key qualities. By 1985, some 50 to 60 people, many of them highly skilled specialists, will be working to identify new technologies and business opportunities within petrochemicals, as well as providing support to the extensive research and technical service groups within established business units.

To attract capital for long-term growth, Polysar must achieve profitability levels which are comparable with the successful international petrochemical companies. Although the profit turnaround in 1983 is encouraging, there still is a long way to go to achieve our objective of at least a 20 percent return on common equity. As the economic recovery strengthens, we expect Polysar's markets to grow somewhat faster than GNP expansion. This growth combined with continued

vigilance on costs should improve profitability again in 1984. By 1985 we should be moving well towards our financial targets.

By providing a safe and rewarding environment for employees, by developing influential positions in selected geographic and product segments, by insisting on technical superiority in all our products and processes, and by achieving sufficient profitability, we fully expect to reach the long-term goals set out in the vision statement.

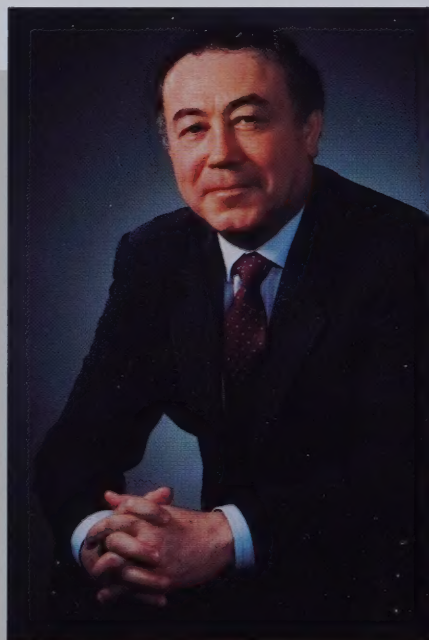
Board of Directors

Daniel P. Owen, a Vice President of CDC, joined the Board in October. Subsequent to yearend on February 16, 1984, the Board lost one of its most active members. It is with deep regret

that we mark the death of Dr. Pierre R. Gendron. Dr. Gendron was a respected member of the Canadian scientific community, and had served on Polysar's Board since 1971. His expertise and advice, especially in the area of technology, will be sorely missed.

Polysar People

Never have the hard work and dedication of Polysar's entire workforce been so well demonstrated as in 1983. The sharp profit turnaround was accomplished almost entirely due to the efforts of management and staff working together to improve productivity and overcome market difficulties. On behalf of the Board, I would like to thank all employees for their continued support which is essential for the future health of Polysar.



R.S. Dudley

**R.S. Dudley
President and
Chief Executive Officer
Sarnia, Canada
March, 1984**

Petrochemical Industry Task Force Report

A broadly based Petrochemical Industry Task Force was established in March 1983 to assess future prospects for the Canadian petrochemical industry. In recent years the industry has suffered from various government regulated costs which have made it uncompetitive with producers on the U.S. Gulf Coast. If this trend is allowed to continue, some 200,000 Canadian jobs will be jeopardized and the nation's balance of trade will be irreparably damaged.

Key Recommendations

Despite the several divergent positions represented, the Task Force presented a unanimously endorsed set of recommendations in its report dated February 6, 1984. The recommendations encompass several areas of concern including feedstocks, transportation, research and development, capital costs, and international trade. An early and positive response from the Canadian Government is required on all these issues. However, by far the most crucial recommendations for Polysar and Petrosar, as well as the entire industry, relate to the need for market related prices for feedstocks.

Feedstocks are critical because they represent between 50 percent and 70 percent of the Canadian petrochemical producer's manufacturing costs. In Petrosar's case it is 70 percent and for Polysar 60 percent.

During the 1970s, feedstock costs in Canada provided an advantage to the domestic industry. However, the Canadian industry

lost its competitiveness in 1982 when the more market responsive system in the U.S. and other countries resulted in steadily falling feedstock prices at the same time as feedstock costs in Canada were rising due to regulated oil and gas prices. Therefore, the Task Force's overriding recommendation is that the prices of oil and gas in Canada be allowed to become more responsive to global market conditions.

Western Canadian petrochemical producers use natural gas feedstock to produce primarily ethylene. In Eastern Canada, oil-based feedstocks are used to produce ethylene plus a wide range of other products which cannot be produced from gaseous feedstocks. A healthy national industry requires that both segments be competitive with each other as well as with foreign producers.

Because oil-based feedstocks are not expected to be market competitive in the intermediate term, the Task Force recommended that the oil-based segment further reduce its consumption of crude oil. To accomplish this objective will require two things—the availability of competitively priced alternative feedstocks such as propane and butane, and substantial additional capital expenditures to give producers the flexibility to use the alternate feedstocks. Propane and butane are surplus in Canada with large quantities currently being exported.

Interim Solution

The implementation of a market responsive pricing system for oil, gas, propane and butane will require changes to resource taxation and the regulations affecting oil and gas pricing, supply and pipelines. Recognizing that such a system may take some time to achieve, the Task Force made

certain interim recommendations.

One interim recommendation is for an immediate 15 percent reduction in the cost of natural gas for industrial users in Canada. The resulting price would be close to that which would exist under a market responsive system and would permit the natural gas based segment of the industry in Western Canada to expand.

For the oil-based segment, the Task Force recommends a three-year transition program to accommodate the considerable plant modifications necessary to achieve feedstock flexibility. This program would provide financial assistance to the oil-based segment to sustain its operations while the required studies and modifications are undertaken. The amount of this financial assistance would be equivalent to what the gas-based segment would get on a unit volume basis.

Benefits to Canada

Major benefits would accrue to Canada if the competitiveness of the petrochemical industry were re-established. These benefits include safeguarding present jobs along with the job creation potential of the industry, attracting about \$3 billion in new investment over the decade, enhancing investor confidence in the country, maintaining and expanding significant Research and Development activities, and contributing to a positive balance of trade.

Polysar and Petrosar concur with the Task Force's judgement that the overall costs of implementing the feedstock recommendations will be more than offset by the significant net benefit that will accrue to the country in the very near term.

Corporate Overview

Polysar's petrochemical products reach virtually every industrialized area of the globe. It has 18 plants in six countries, sales or technical service offices in 15 countries, and distributors in still another 75 markets.

Founded in 1942 as Polymer Corporation, the company played an important role in the development of synthetic rubber. When the supply of natural rubber from Southeast Asia was halted during World War II, the Allied Forces needed an alternative. Initial synthetic rubber production began in Sarnia in 1943.

After the war, natural rubber was again available, but the synthetic materials which had been developed had certain advantages which Polymer Corporation continued to exploit. The "Polysar" trademark was adopted in 1949

and, through extensive research and development, new uses for synthetic rubber were found.

In 1958, the company's first latex plant was opened in Sarnia. International expansion began in 1962 when a new rubber and latex plant came on stream in France and international marketing headquarters were established in Switzerland. By the end of the decade, Polysar had plants or sales offices in five European countries and an office in Tokyo. Initial expansion into the U.S. followed in 1970.

Canada Development Corporation acquired all the common shares in 1972. With CDC's financial support, several expansion programs and acquisitions generated rapid growth throughout the 1970s.

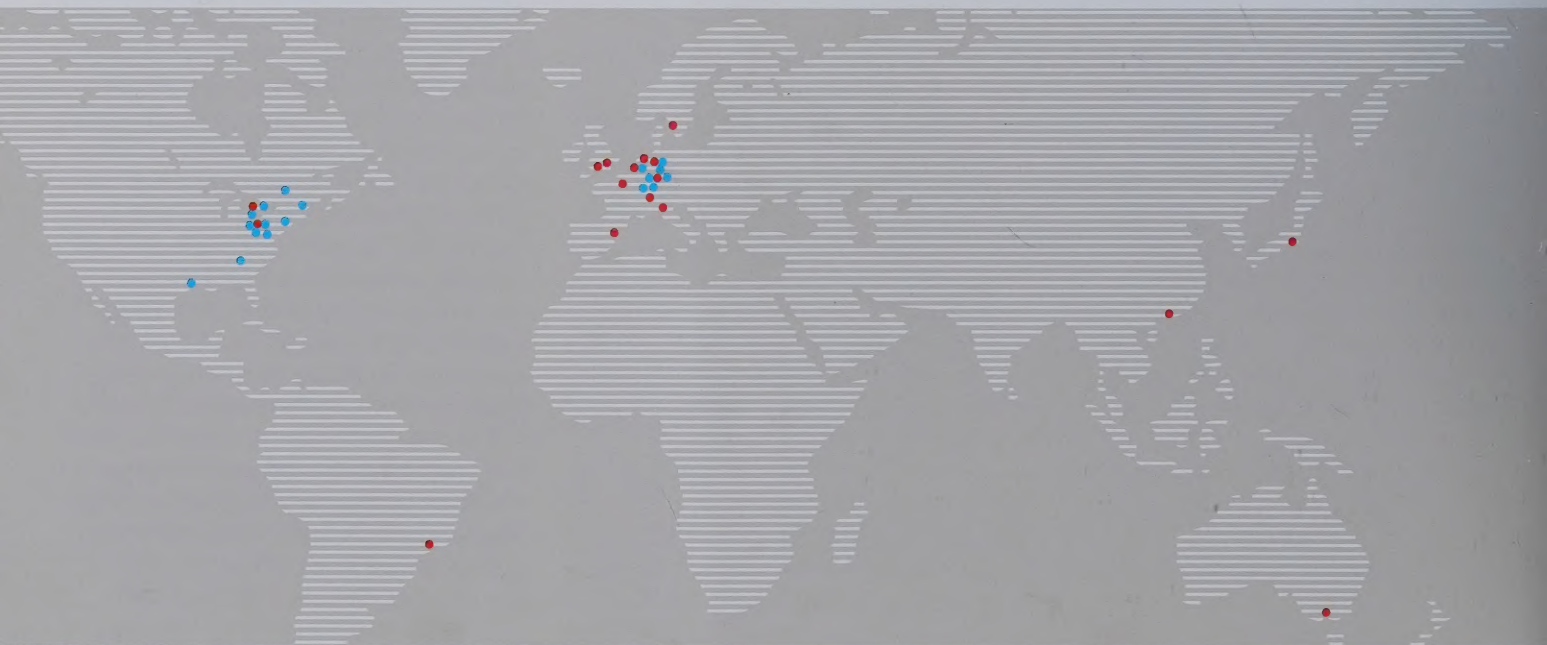
While today's operations are diversified they have a commonality of purpose and direction.

Besides administrative support and broad management direction from the corporate head office in Sarnia, all operating groups are supported by corporate-wide efforts in research and development and toxicology.

Research and Development

The quality, innovation and technical superiority of Polysar products and processes stem from a long history of R & D efforts going back to the original research done on synthetic rubber in the early 1940s. Through the dynamic growth decades of the sixties and seventies, the emphasis was on developing new products, modifying existing ones to achieve specific desired properties, and working with customers to identify new applications.

The development of bromobutyl rubber is a classic product



Polysar around the world

- Plant
- Sales or technical service office

case. Working with several major tire companies around the world, a multi-disciplined project team developed this product over a period of 15 years. By the end of 1983, a number of the major manufacturers had adopted bromobutyl for passenger tire inner liners. This development has played a major role in Polysar's success as a major supplier of technologically advanced materials for the manufacture of tubeless radial tires. Not satisfied with this success, Polysar's researchers and technical development specialists continue to work on further development of bromobutyl.

Polysar continued to spend heavily on R & D through the recent recession. While virtually

all operating units suffered staff reductions and budget cuts, the company's dedication to retaining its technical superiority was demonstrated by maintaining a strong R & D effort. In 1983, more than \$23 million was spent on an array of projects designed to advance Polysar's technical expertise in every product category.

A new technical service and research centre in Stow, Ohio established in 1982 was fully staffed in 1983. In addition to its facilities in Sarnia, the company now has three technical service centres in the United States and three in Europe.

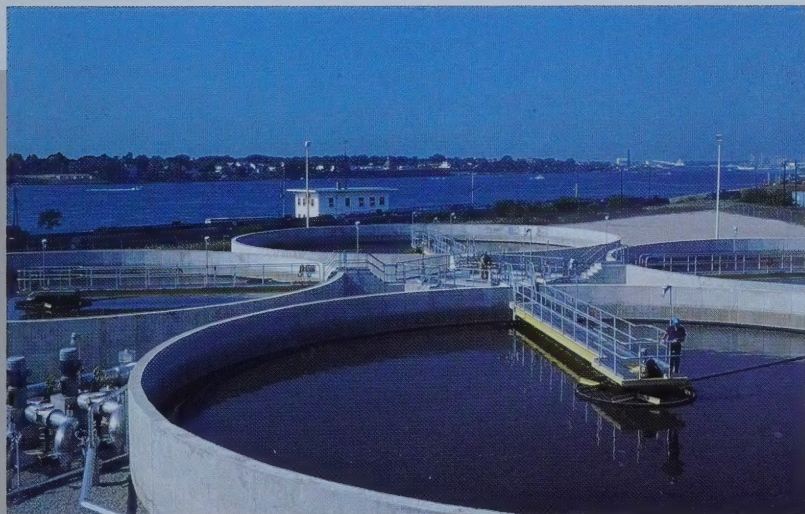
Product development and application technology will continue to be an essential element of each division's technical thrust. In addition, during 1983, a new

Corporate R & D group was formed. Its mission is long range: to identify new fields within petrochemicals which present promising opportunities for Polysar. Although most of the research will be conducted in Sarnia, European and U.S. laboratories also will be involved. By exploring new technologies, new materials and emerging needs, Polysar intends to remain in the forefront of the evolving international petrochemical industry.

Toxicology

Environmental concerns including occupational health, pollution control and product safety are the responsibility of all employees. Polysar management in particular takes its role in this area seriously. Potential exposure of employees, customers, and the environment to chemical substances is monitored regularly. Each year every operating site world-wide is subject to an audit by the Corporate Toxicology Group in which plant performance is reviewed relative to corporate policy. Periodic senior management visits also focus on toxicology issues.

Toxicology concerns were an important consideration in the reconstruction of the Leominster Resins plant in 1982. A full year of tests in 1983 indicate that airborne emissions have been virtually eliminated. Similarly, a new scrubber at Arnhem, The Netherlands, which became operational early in 1983, has dramatically reduced the emission of odor-producing chemicals from that plant.



Early in 1983, a new \$25-million biological oxidation plant became fully operational at the Sarnia site. Using the best technology available for treating effluent from a rubber manufacturing operation, this huge

facility treats 6.5 million gallons of water daily and has achieved all its technical design goals.

Operations Review: Rubber

Polysar's synthetic rubber operations are the largest in the free-world with major production facilities in six different countries. More than 100 applications of Polysar rubber can be found in the average automobile today, tire components and inner tubes being the most important. Non-automotive applications number in the thousands, and include conveyor belts, roofing membranes, electrical cables, oil well components, hoses, and various consumer products.

Rubber sales again accounted for more than 60 percent of total revenues in 1983. Automotive markets, especially in North America, responded well to improved consumer confidence, but due to high industry inventories, rubber producers did not

feel the recovery until late in the year. Increased sales to other consumer oriented markets were offset by weak demand from natural resource and heavy industrial customers.

Total volume of rubber shipments from Polysar plants was up only modestly but the product mix continues to change in favour of higher margin specialty rubbers. The focus is on technically oriented non-commodity rubbers which are more profitable and not as susceptible to competition from producers in low cost energy countries. Volume gains in such products more than made up for reduced shipments of general purpose tire grade rubbers.

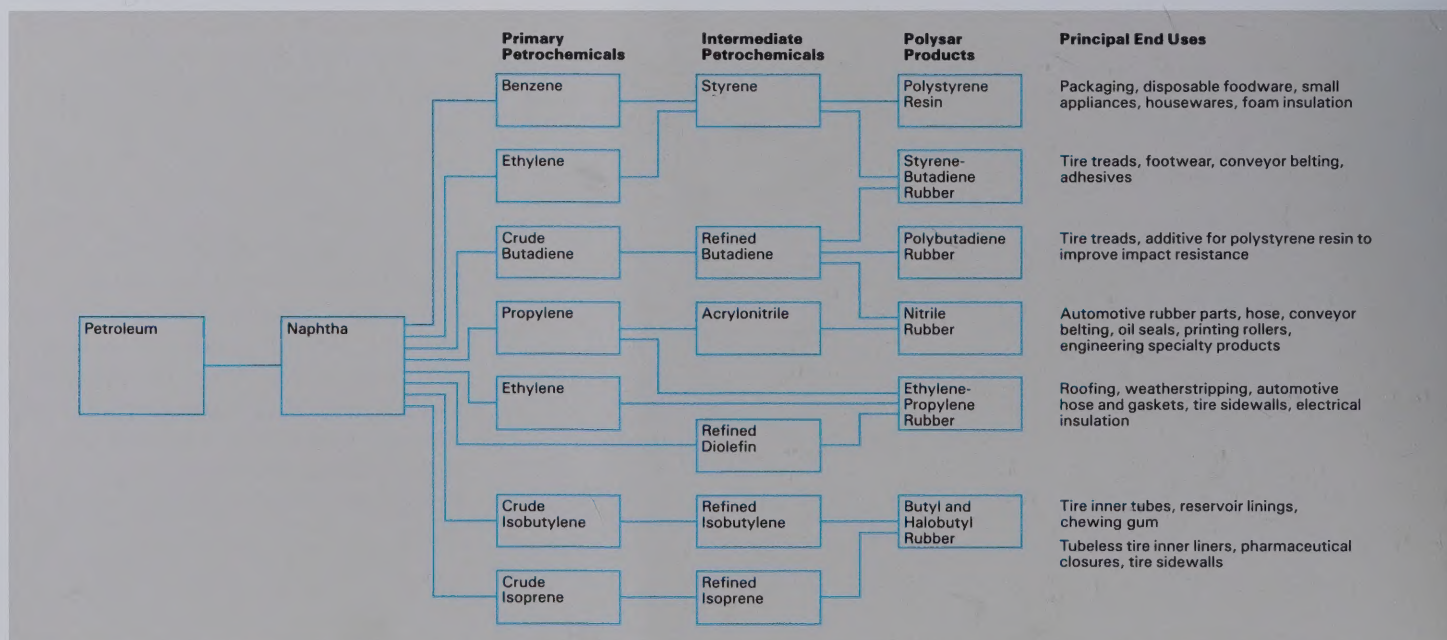
The shift in product mix, combined with cost reductions and productivity gains, resulted in a substantial profit turnaround for the Rubber Group. Tight control

of accounts receivable and inventories helped reduce working capital requirements.

Sarnia Site

Sarnia site is by far Polysar's largest operation. Productivity at the site was improved and significant energy saving measures reduced fuel costs. But the year will be remembered primarily for the completion or near completion of four major projects.

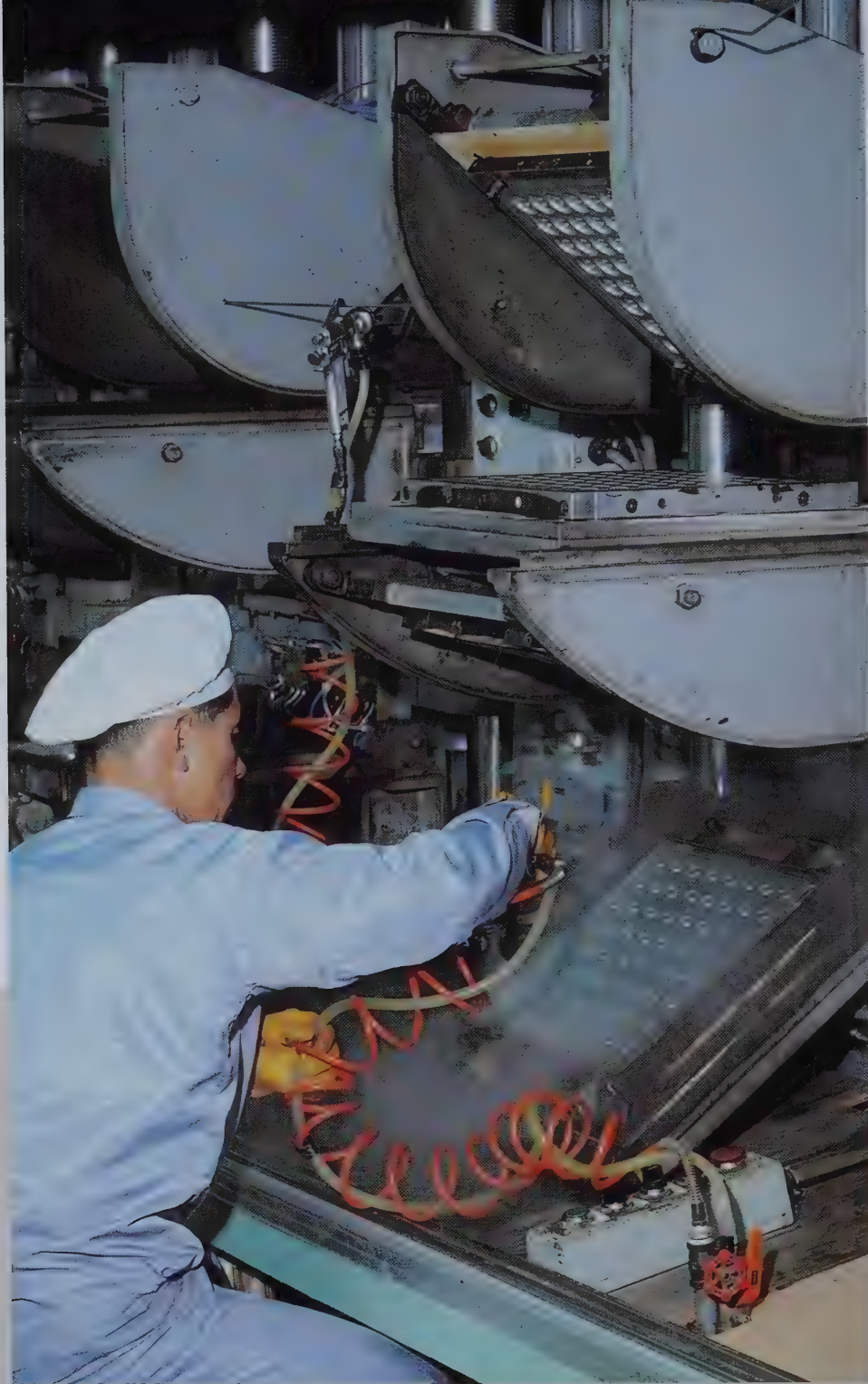
The new wastewater treatment plant and a new isobutylene extraction plant were put into production early in the year. Capacity of the steam and power plant will be greatly enhanced by the construction of a new boiler and turbogenerator. At yearend they were close to completion





Over the past 40 years, Polysar has built a reputation for innovation in the development, manufacture and use of synthetic rubbers and latexes for the world's tire makers. With the increasing use of halobutyl rubbers in tire inner

liners, several tire specialists like Walter von Hellens (centre), and technicians like Jaris Kohut, are providing valuable application development assistance to tire industry customers.



Naniwa Rubber Co. Ltd., one of Japan's leading manufacturers of rubber products, uses several Polysar synthetic rubbers for moulded medical and pharmaceutical items. Two of

Polysar's regular butyl rubbers are compounded to make certain pharmaceutical stoppers, and bromobutyl is used in considerable quantities for stoppers for powdered drugs and freeze-dried drug materials. Several grades of Polysar's oil resistant

rubbers are used in other specialized products made by the Osaka-based company.

and pre-commissioning activities were well underway.

One of the new boiler's important functions is to provide energy for the new butyl plant. After five years of planning and construction, this important 50 percent addition to the company's butyl rubber capacity began producing in January, 1984. Total butyl capacity worldwide now exceeds 200,000 tonnes. Commissioning of all the component systems, the training of operating personnel, and the resolution of numerous equipment, instrumentation and electrical problems marked this most important accomplishment of the year.

U.S. Operations

In Orange, Texas, Polysar Gulf Coast Inc. produces ethylene-propylene rubbers and polybutadiene rubber. Ethylene-propylene rubber was a new product for Polysar when this plant was acquired in 1981. Its workability and superior weather resistance give it an advantage in several applications. One important growth market is in roofing membranes for commercial and industrial buildings. The dirty, labour intensive job of tarring a roof is rendered unnecessary with a relatively inexpensive, long lasting rubber membrane which provides a perfect weather seal.

Whereas polybutadiene rubber produced in Sarnia is used primarily as a plastics modifier, the production of the Orange, Texas plant is sold to tire manufacturers. Extensive efforts to expand its share of the North American market for tire grade polybutadiene polymers have won Polysar Gulf Coast major positions at a number of large tire manufacturers.

Many of this unit's most significant achievements in 1983 were in the area of efficiency improve-

ments. Four employee innovation awards were presented during the year for ideas which resulted in annual cost savings totalling more than \$800,000. These and other savings have significantly improved the profitability of this operation since its acquisition.

European Operations

Substantial operating success and profitability was achieved in European rubber operations where industry rationalization is somewhat ahead of North America, and Polysar's product mix is more favourably influenced by high margin products. Polysar's strong position in butyl rubber was enhanced by additions to the halogenated butyl products manufactured in Antwerp. These products possess exceptional air retention properties and are increasingly vital to tubeless tire manufacturers. Its leadership in nitrile rubbers was strengthened by the final consolidation of two European acquisitions made in 1981.

With markets remaining weak, rubber operations at the company's three plants in France, Belgium and The Netherlands operated below capacity. At the Strasbourg plant advanced office automation techniques supported major productivity gains in administration, maintenance, technical and personnel. Each of these support areas achieved between 15 percent and 24 percent reductions in working hours to fulfill their duties. On the shop floor, plans are well advanced to install robots in the handling and packaging areas.

Emphasis was on quality improvements at Polysar Belgium

in Antwerp. To better serve the highly quality conscious markets of Western Europe and Japan, a new "Total Company Quality Program" was initiated in 1983. More than 100 quality improvement opportunities were identified, ranging from minor process changes or increased controls to larger projects involving improved instrumentation or better tooling. Priorities have been set and work has begun on several projects.

Outlook and Strategies

Despite the turnaround in 1983, the Rubber Group's profit contribution relative to its substantial asset base is still less than satisfactory. The Group's goal is to maximize return on existing assets with no significant additional capital expended until satisfactory performance is achieved.

Continued emphasis will be placed on reducing costs wherever possible, and further reducing working capital requirements. The higher costs associated with the integrated complex in Sarnia continue to be a particular challenge. By improving communications and encouraging innovative ideas at all levels, the Sarnia Operation will aim for the manufacturing efficiencies required to achieve its long-term profitability objectives.

The start-up of the new butyl plant means that world-wide markets for regular butyl will be served primarily from this facility, permitting the original butyl unit in Sarnia and the Antwerp plant to concentrate on production of halogenated butyls for which demand is growing rapidly.

A gradual improvement in economic conditions world-wide will positively impact earnings in 1984 and beyond.

Operations Review: Latex

As with rubber, Polysar's markets for latex are to be found in every corner of the world. Produced at six plants in four countries, a wide range of latexes accounted for some 20 percent of Polysar's 1983 revenues, and a substantially larger share of operating earnings.

Latex can most easily be defined as particles of synthetic rubber suspended in water. The foam backing on most indoor/outdoor carpeting is made from latex, as is the adhesive material which anchors the fibre pile in all tufted carpets. Every piece of glossy paper, including this annual report, is coated with a latex material. As well, Polysar-type latexes are used in foam mattresses, surgeon's gloves, synthetic leather, many engine

gaskets, the headrests on airplane seats, and weather stripping used for cars.

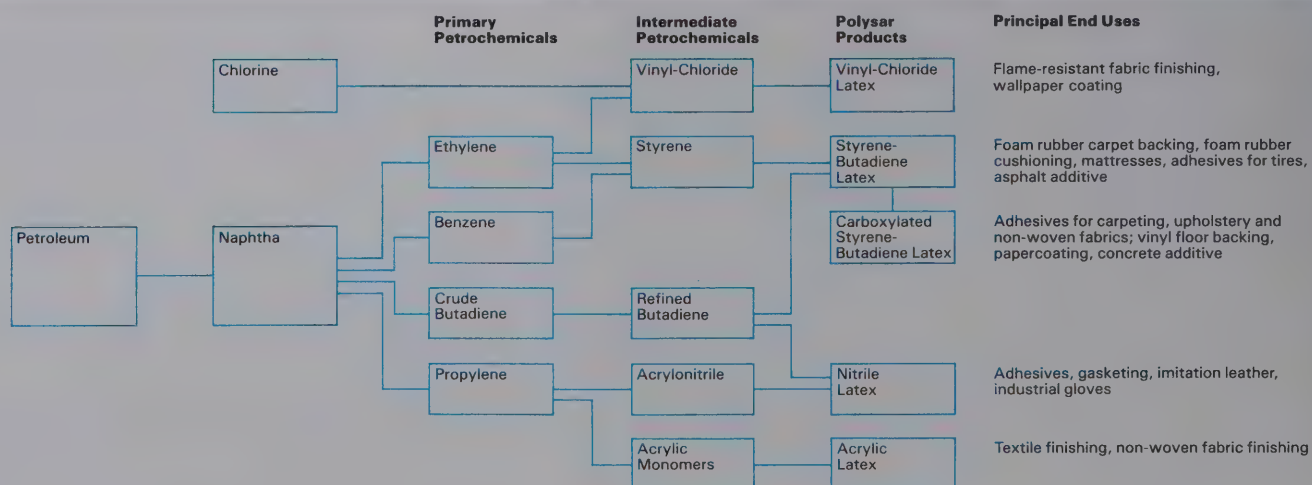
New applications for latex are continually being developed. One major new area with great potential is pressure-sensitive labels and tapes. After a five year research program, Polysar has developed a superior latex adhesive which has attracted broad market interest.

Improved Profits

After several years of inferior earnings performance, Latex operations recorded a major profit improvement for the second consecutive year. Improved margin management, reductions in fixed and variable costs, and lower working capital financing requirements were primarily responsible. Later in the year, the Division also got a boost from an improving economy. North American sales

were buoyed somewhat by the recovery of the housing industry, which benefited the carpet industry. Volumes in the paper coating industry also increased as consumer confidence rose causing automobile and appliance manufacturers to step-up magazine advertising.

In Europe and the rest of the world, economic recovery came more slowly, but modest volume gains were recorded. The strong U.S. dollar forced up petrochemical prices in other currencies making latex price increases necessary. Although unable to pass on the full impact of higher raw material prices, keeping costs down helped the European operations to become profitable. Capital expenditures were limited





A small coastal town in northern Holland has evolved into one of Europe's leading carpet manufacturing centres. Today there are 60 tufting machines operated by several

carpet manufacturers in Genemuiden. A leader among these companies is the family-owned and operated firm of E. de Lange & Zoons Tapijtfabrieken b.v. It uses latex manufactured by Polysar for three separate operations: precoat, double-backing, and

foam rubber backing of tufted carpeting. Here, carpet backed with latex foam rubber is checked by Jan de Lange Ezn and Karst de Lange Ezn with Polysar Latex sales representative Bart Von Osch.

to projects promising a quick pay-back of less than one year.

Outlook and Strategies

Latex operations are in a sound position to take advantage of further market recovery. Polysar is well positioned in the North American latex market. With the successful integration of the Arnhem plant acquired in 1981, the company now has strong market positions in Europe.

Technical development efforts will be directed at products which help customers control costs. By working with customers to keep them competitive in an environment of rapidly changing needs, Polysar will continue to build its market position. The goal is to achieve significant growth through development of new market-related technology.

Operations Review: Styrenics, Formed Products and Custom Compounding

Styrenics

Polysar is one of two major suppliers to the Canadian market for polystyrene. In the United States, with many competitors, Polysar has a smaller but significant share in several key market segments. Manufacturers of rigid plastic packaging, plastic drinking cups, kitchenware and toys are its largest customers.

Styrenics operations begin with the production of styrene monomer in Sarnia. Almost half the monomer is further processed into polystyrene at five company plants in Canada and the U.S. One quarter is consumed by the Company's rubber and latex operations and the remainder is sold on the open market.

A sharp improvement from depressed 1982 results brought the division back to slightly better than breakeven operating performance. Volume was up almost 12 percent and margins improved, especially in the second half of the year.

Acquisition of a modern plant near Montreal in 1981 and replacement of the obsolete Leominster, Massachusetts plant in 1982 enabled the Division to operate efficiently with very competitive production costs. Still, industry overcapacity precludes acceptable profit margins in traditional commodity-oriented plastics markets.

The future of the styrenics business lies with its ability to continue developing technologically innovative new applications. Disposable hospital and medical products have great

potential, as do specialized electronic applications.

A dynamic Styrenics management team and a reorganized technical group have targeted further cost reductions and new technologies to develop in 1984.

Formed Products

From three plants in West Germany, Polysar produces and sells formed plastic products for all of Western Europe. Unlike Polysar's other businesses, these operations (known as Bellaplast GmbH) produce finished consumer and industrial products. Plastic drinking cups, containers, other packaging products, and industrial component parts have been the mainstays.

Improved performance in 1983 reflects a major downsizing and restructuring program over the past two years. A reduction of personnel from 1,100 to 750, rationalization of product lines, and the decentralization of operations into plant site business units, were the major elements of the program.

Decentralization was accomplished through a reorganization of product mix and production machine capabilities leading to the establishment of three profit centres:

- Kleve: industrial technical products,
- Alf: catering service disposables and horticultural products,
- Deizisau: industrial packaging.

The new organization structure reduces overhead costs and improves market response time, two factors considered critical to attracting and maintaining customers in an industry comprising small to medium-sized companies with strong entrepreneurial characteristics.

It is expected that specialized new products for fast food, horti-

cultural, packaging and technical markets will have significant effect in improving performance in 1984.

Custom Compounding

Developing and blending specialty compounds for the rubber fabricating industry is the challenge of the Rubber Compounding Division's three plants in the United States.

1983 was a pivotal year with important changes in organization, strategic direction and operating effectiveness that contributed to a turnaround in financial results. The year began with a major reorganization, consolidating three profit centres into one, and developing a new management team. Attention was focused on restoring profitability and developing a clear strategy for the future. Upgrading of the physical work environment by good housekeeping and installation of equipment to improve air quality also was a priority accomplishment for the year.

Cost reduction programs included staff reductions, closure of one office and one operating site, and numerous productivity improvements.

Focused sales and technical efforts resulted in the development of several new customers and new products, including a technology agreement with General Electric for silicone products. Other developments in high voltage wire and cable compounds, adhesives and sealant bases, and nitrile/PVC roll compounds are building the company a position in the supply of high technology specialty products.



Insulation board made from extruded polystyrene foam is taking an increasing share of the growing residential and commercial insulation market from glass fibre and mineral products. One company which has experienced rapid growth in this sector is U.C. Indus-

tries of Parsippany, New Jersey. Polysar is a major supplier to UCI and provides technical support for the company's polystyrene product development and application needs.

Chief Financial Officer's Report

Analysis of Results

Consolidated net income for the year improved sharply to \$8.7 million from a 1982 loss of \$30.5 million. After payment of preferred dividends of \$6.9 million in 1983 and \$6.2 million in 1982, earnings per common share amounted to seven cents compared with 1982's loss of \$1.45 per share.

The return to profitability during 1983, after the only loss in the company's history, resulted from both internal and external factors. Physical volume of products sold was up approximately two percent but pressure on prices held consolidated sales at \$1,330.3 million, virtually unchanged from 1982. An improved product mix and uniformly successful cost reduction programs reduced the cost of sales to 87.6 percent from 90.7 percent the previous year. Cost reductions have lowered breakeven levels at most company plants to levels which in earlier years could not have been contemplated.

Selling, Administrative and Research expenses were down in excess of \$23 million. Financing expenses also were cut by about \$12.3 million as a result of reduced working capital requirements and lower interest rates.

Operating Income

At the operating income level, as indicated in the geographic segmentation section of the Notes to the Financial Statements, the earnings improvement was broadly based. Canadian-sourced business, accounting for about 50 percent of consolidated sales revenue, improved from a 1982 loss of \$18.5 million to a contribution of \$2.4 million. In the U.S., operating income improved from \$7.7 million to \$22.3 mil-

lion. The contribution of European operations more than doubled to \$64.8 million. Despite the considerable improvement in the Canadian results, the contribution remained at an unsatisfactory level of less than one-third of one percent on identifiable assets employed of \$827 million.

Investment Income

Polysar's share of earnings in Hules Mexicanos S.A. (Humex), and Comshare Ltd. are the principal components of investment income. Despite the reduction in the value of the Mexican peso, the results of Humex, a 40 percent owned rubber and carbon black producer, were virtually unchanged. The bulk of the reduction in investment income from \$5.5 million to \$3.8 million was a result of lower earnings at Comshare's operations, which are being converted from a time-sharing operation to a software house.

Income before Petrosar losses

Net income before taking into account Polysar's share of Petrosar losses was \$32.9 million compared with a loss of \$25.8 million in 1982, for an after-tax improvement of \$58.7 million.

Petrosar had a net loss, after dividends on preferred shares, of \$52.7 million in 1983, representing a \$40 million deterioration from its 1982 net loss of \$12.7 million. Approximately one-half of the year-over-year net change resulted from lower chemical and fuel prices combined with higher Canadian crude oil purchase costs. The remainder of the change resulted from a decision to recover investment tax credits earned in earlier years which, although recovering \$19 million in cash, produced a charge against the current year's income.

Historically, Polysar had absorbed 40.2 percent of Petrosar's gains or losses, representing

its share of Petrosar's common equity. (Canada Development Corporation holds an additional 19.8 percent.) Because of the erosion of Petrosar's common equity, Polysar's equity interest in Petrosar's financial results in 1983 increased to 48 percent, reflecting Polysar's proportionate financial obligation. Polysar's share of Petrosar's losses on an equity accounting basis was \$24.2 million in 1983 compared with \$4.7 million in 1982.

Financial Management

In addition to restoring profitability at Polysar, financial management in 1983 focused on increasing internal cash generation and strengthening the company's financial condition.

Internal Cash Generation

For the second consecutive year, a persistent management effort to significantly reduce working capital resulted in a major cash flow improvement. Reductions in working capital, net of cash and borrowings, generated \$119.0 million. Added to cash flow from operations of \$62.2 million, total internal cash generation was \$181.2 million. Cash requirements for the year were only \$177.2 million, making it possible to reduce net borrowings by \$4.0 million.

Capital spending of \$144 million was \$63 million below the 1982 level. More than \$500 million of capital projects have been completed in the Sarnia area in recent years and, at the end of 1983, projects with a value of about \$375 million (inclusive of capitalized interest) were not yet in service. That investment, equal to nearly one-third of consolidated capital employed, continues to be of major strategic importance to the company's future financial strength.

Financing and Capital Structure

Short-term borrowing declined by \$88.4 million as a result of the managed reduction in working capital. Long-term debt was increased by \$80.8 million, drawn from multi-currency facilities negotiated in 1980. There were no additional facilities put in place during 1983.

During the year, the company entered into a number of interest rate swap agreements and made other financing arrangements to increase the proportion of debt subject to fixed rates. Of the \$579 million in consolidated long-term debt at the end of 1982, approximately 76 percent was at floating rates tied to Canadian prime, U.S. prime and LIBOR. By the end of 1983, with long-term debt increased to \$660 million, the floating rate portion was down to 63 percent.

Analysis of Capital Employed

(\$ millions)	1983	1982
Long-term debt	660.2	579.4
Deferred income taxes	27.7	39.9
Term preferred shares in a subsidiary	85.0	85.0
Other minority interests	0.2	0.4
Preferred equity	44.2	44.2
Common equity	170.1	170.1
Retained earnings	172.9	177.9
	1160.3	1096.9

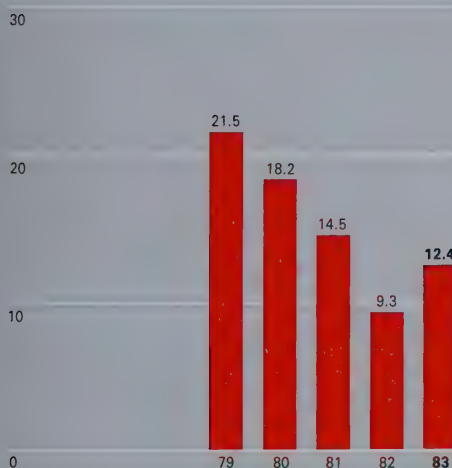
Consolidated leverage continues to be high, with long-term debt plus debt equivalents (an \$85 million issue of redeemable preferred shares issued by a subsidiary in 1978 and carried as minority interest) being equal to 1.92 times shareholders' equity at December 31, 1983. The company's class A preferred shares which have an earliest redemption date of July 1, 1985 and a

retraction date of July 1, 1987 are included in equity.

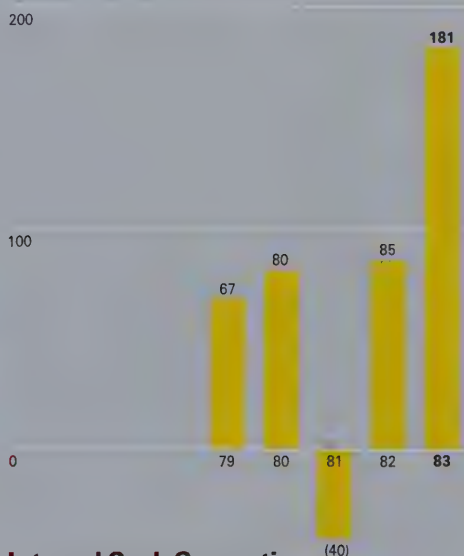
Long-term debt and debt equivalent maturities are modest in 1984 and 1985, increasing sharply to \$156 million in 1986 with maturity of \$U.S.50 million of Series D debentures, \$50 million of the company's revolving credit/term loan facility, and \$28 million of the subsidiary's redeemable preferred shares. With internal cash generation continuing to be the principal source of future improvements in the company's financial condition, emphasis on the management of assets and costs continues.

Petrosar Financing

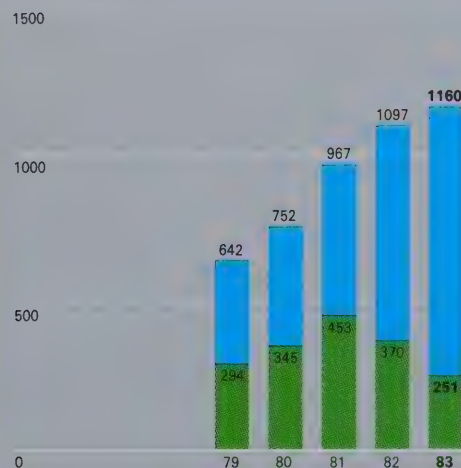
Petrosar's balance sheet, as shown in condensed form in Note 3 to the Financial Statements, reflects gross assets of nearly \$1 billion and capital employed of



Gross Profit Percentage
(per cent)



Internal Cash Generation
(\$ Millions)



Capital Employed
(\$ Millions)

■ Capital Employed
■ Working Capital, net of cash and borrowings

\$694 million. The components of Petrosar's capital employed were:

	(\$ millions)
Long-term debt	100
Deferred taxes	57
Redeemable preferred shares	
in favour of 5 banks	300
Shareholder equity	237
	694

Long-term debt and redeemable preferred shares are at floating rates tied to Canadian prime. Aggregate shareholder investment at cost amounted to \$341 million, of which \$100 million was provided by Petrosar's shareholders during the period November, 1982 to May, 1983. Accumulated losses of \$104 million have reduced shareholder equity to \$237 million. Shareholders have never received any dividends.

Petrosar's future as an acceptably profitable supplier of primary petrochemicals to its shareholder

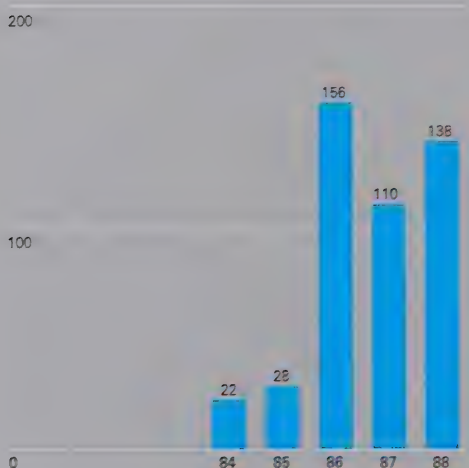
customers (Polysar Limited, Du Pont Canada Inc. and Union Carbide Canada Limited) is dependent on the availability of market competitive feedstocks and its ability to alternate among crude oil and natural gas liquids. As discussed on Page 5, these key requirements and other problems facing the Canadian petrochemical industry were studied by a joint industry-labour task force which presented a set of recommendations to the Federal government on February 6, 1984. If these points are accepted and implemented, the Canadian petrochemical industry, including Petrosar, will again be competitive in world markets.

In 1983, Petrosar's lenders, pursuant to a favourable tax ruling, deferred redemption of \$60 million of Petrosar's redeemable preferred shares which fell due at yearend. The amount

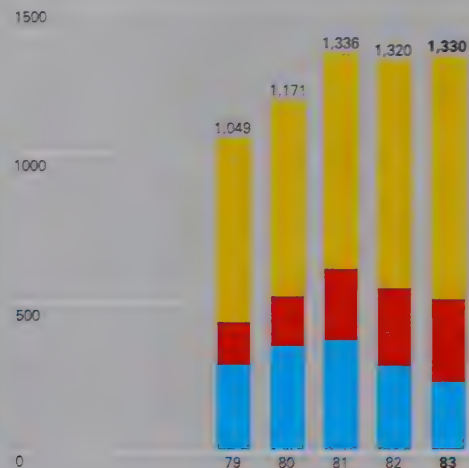
deferred was added to the 1984 scheduled maturity with the result that \$120 million is due for redemption on December 31, 1984. It is possible that lenders would give consideration to a restructuring of Petrosar's capital base if the Task Force recommendations are acted upon favourably. In the absence of a restructuring, Polysar's exposure in respect of Petrosar's 1984 debt maturities is 48 percent, or \$57.6 million.

The Current Outlook

Early indications are that Polysar's businesses are progressing satisfactorily toward their 1984 financial performance objectives. All businesses continue to focus on productivity in its widest dimensions and, fueled by strong consumer demand in the U.S., the environment for volume increases is better than in the recent past. Nevertheless, the marketplace

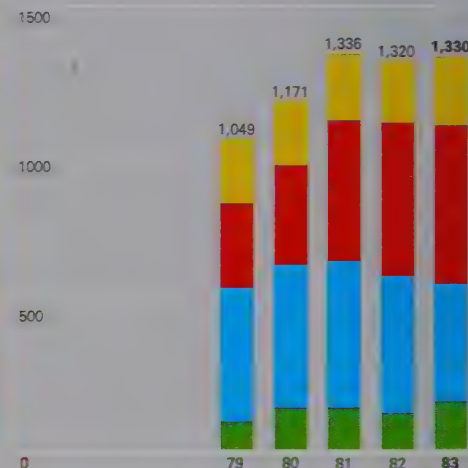


Debt and Debt Equivalent Maturities
(\$ Millions)



Sales Revenue by Product
(\$ Millions)

Rubber	618	652	725	774	824
Latex	140	173	244	259	272
Plastics & Chemicals	291	346	367	287	234



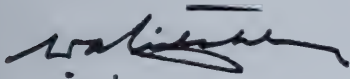
Sales Revenue by Market Area
(\$ Millions)

Canada	217	212	218	204	227
United States	285	330	482	530	542
Europe	447	484	491	456	397
Other	100	145	145	130	164

continues to be competitive and resistant to price increases.

The company's ability to recover from the environment which prevailed in the 1981/82 period has been strengthened considerably. With the continued movement away from undifferentiated commodity-type products and a sharp focusing on quality, productivity and cost performance, future cyclical downturns should not have the same severely negative impacts.

Continued improvement in Sarnia operations and resolution of Petrosar's feedstock processing capabilities over time will provide the potential for a highly successful financial future.



W.A. Critchley
Group Vice-President
Finance and Administration
Sarnia, Canada
March, 1984



Latex foam rubber is being poured into a mattress mould at a Dunlopillo plant near Harrogate, England. Dunlopillo, a division of Dunlop Rubber Company of England, is believed to be the world's largest manufacturer of latex foam products with factories in the United Kingdom,

France, Germany, Malaysia, Singapore and Indonesia. Polysar supplies high solids styrene-butadiene latexes to Dunlopillo plants in the U.K. and continental Europe.

Consolidated Balance Sheet

Polysar Limited
December 31, 1983

Assets	1983	1982
	(\$ thousands)	(\$ thousands)
Current		
Cash and short-term investments	20,927	10,331
Accounts receivable	201,535	212,678
Inventories (Note 2)	223,030	304,153
Prepaid expenses	3,254	4,624
	448,746	531,786
Investments		
Petrosar Limited (Note 3)	116,241	128,128
Other	42,421	39,064
Property, Plant and Equipment (Note 4)	793,242	708,445
Deferred Charges and Other Assets	52,335	30,925
	1,452,985	1,438,348

On behalf of the Board

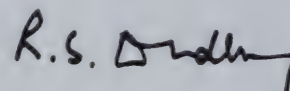
R.S. Dudley D.C. Jones
Director *Director*

Management's Report to the Shareholders

The management of Polysar Limited is responsible for the integrity of all information and representations included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted Canadian and international historical cost accounting principles consistently applied, and reflect estimates by management where necessary. The Company's significant accounting policies are summarized in the notes to the consolidated financial statements. Financial information contained in this Annual Report is consistent with the financial statements. The Board of Direc-

tors, through the Audit Committee, which is composed solely of outside directors, oversees management's discharge of its financial reporting responsibilities.

Independent auditors, Peat, Marwick, Mitchell & Co., provide an objective, independent review of the Company's reported operating results and financial position. The independent auditors have full access to the Audit Committee.



R.S. Dudley
President and
Chief Executive Officer



W.A. Critchley
Group Vice-President
Finance and Administration.

Liabilities	1983	1982
	(\$ thousands)	(\$ thousands)
Current		
Short-term loans	93,787	182,243
Accounts payable	170,261	142,213
Income and other taxes payable	4,963	7,658
Dividends payable	1,772	1,727
Long-term debt due within one year	21,791	7,602
	292,574	341,443
Long-term Debt (Note 5)	660,231	579,427
Deferred Income Taxes	27,742	39,854
Minority Interest (Note 6)	85,170	85,363
Shareholders' Equity		
Capital Stock (Note 7)	214,341	214,341
Retained Earnings	172,927	177,920
	387,268	392,261
	1,452,985	1,438,348

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Polysar Limited as at December 31, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1983 and the results of its

operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Chartered Accountants
Toronto, Canada
February 15, 1984

Consolidated Statement of Income

Polysar Limited
Year ended December 31, 1983

	1983 (\$ thousands)	1982 (\$ thousands)
Revenues		
Sales	1,330,259	1,320,104
Other income	6,641	8,606
	1,336,900	1,328,710
Costs and Expenses		
Cost of sales	1,164,846	1,197,987
Selling, administrative and research	90,102	113,234
Interest on long-term debt	70,815	71,041
Other interest	21,592	31,501
Interest capitalized	(37,860)	(42,534)
Foreign currency translation losses	2,331	3,552
	1,311,826	1,374,781
Income (Loss) Before Taxes	25,074	(46,071)
Reduction of income tax	(9,700)	(22,600)
	34,774	(23,471)
Income from investments	3,779	5,522
Minority interest	(5,683)	(7,880)
Income (Loss) Before Petrosar	32,870	(25,829)
Loss from investment in Petrosar	(24,177)	(4,706)
Net Income (Loss)	8,693	(30,535)
Net Income (Loss) Per Common Share	\$0.07	\$(1.45)

Consolidated Statement of Retained Earnings

Polysar Limited
Year ended December 31, 1983

	1983 (\$ thousands)	1982 (\$ thousands)
Retained Earnings, Beginning of Year	177,920	221,216
Net income (loss)	8,693	(30,535)
	186,613	190,681
Dividends		
–Preferred shares	6,857	6,196
–Common shares	6,829	6,520
	13,686	12,716
Amortization of share issue expenses	–	45
Retained Earnings, End of Year	172,927	177,920

Consolidated Statement of Changes in Financial Position

Polysar Limited
Year ended December 31, 1983

	1983	1982
	(\$ thousands)	(\$ thousands)
Cash Requirements		
Capital spending	144,198	207,020
Investment in Petrosar	12,000	36,000
Redemption of preferred shares	—	5,759
Dividends	13,686	12,716
Dividends paid to minority interest	5,876	7,935
Other	1,459	(13,678)
	177,219	255,752
Sources of Cash		
Operations	62,244	1,746
Reduction in working capital, net of cash and borrowings	119,034	83,559
Common shares	—	50,000
	181,278	135,305
(Decrease) Increase in Net Borrowings	(4,059)	120,447

Notes to Consolidated Financial Statements

Polysar Limited

Year ended December 31, 1983

1. Summary of Significant Accounting Policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in Canada. The principles followed are also in conformity with the historical cost accounting standards of the International Accounting Standards Committee.

Principles of Consolidation

The accounts of subsidiaries are included on the purchase accounting basis. Companies which are not subsidiaries and over which the Company has significant influence, are accounted for by the equity method. Other investments are carried at cost or written-down value.

Foreign Currency Translation

Foreign currency balances and transactions are translated into Canadian dollars at the rates of exchange on the balance sheet date for current assets and current liabilities, on the date of transaction for other balance sheet accounts and at rates of exchange in effect during the year for revenues and expenses. The resulting gains or losses are included in income.

Inventories

Inventories are valued at the lower of FIFO (first-in, first-out) cost and net realizable value except for raw materials and supplies which are valued at the lower of FIFO cost and replacement cost.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is provided from the date assets are capable of commercial production, calculated on the straight-line method based on their estimated useful lives. Fixed asset additions, including related interest costs incurred during major plant construction, and renewals and betterments which extend the economic life of plant and equipment are capitalized. Maintenance and repairs are charged to income as incurred.

On disposal of fixed assets, the related costs and accumulated depreciation are removed from the accounts and any resultant gain or loss is included in income.

Pre-production expenses of major new projects are deferred and charged to income on the straight-line method over varying periods not exceeding ten years from commencement of commercial production.

Income Taxes

Income taxes are provided on the tax allocation basis. No provision has been made for income tax relief in respect of expenses

recorded in the accounts where it is uncertain when, if ever, the relevant company would have sufficient taxable income to absorb such items for tax purposes.

On a continuing basis, some Polysar companies are incurring losses while others are realizing the tax benefits of previous losses. On a consolidated basis, these recurring tax benefits are not considered to be extraordinary in nature and accordingly, are reflected as reductions of current income taxes when realized.

Pensions

Pension costs are computed on the basis of accepted actuarial methods and include current service costs, valuation adjustments and the amortization of past service costs over periods of 15 and 30 years.

Net Income (Loss) Per Common Share

Net income (loss) per common share is calculated using the weighted average number of shares outstanding during the year after providing for all dividends on preferred shares.

Comparative Figures

Comparative prior year figures have been reclassified to conform with classifications adopted in 1983.

2. Inventories

	1983 (\$ thousands)	1982 (\$ thousands)
Raw materials	89,623	90,216
Finished products	112,872	193,329
Supplies	20,535	20,608
	223,030	304,153

3. Investment in Petrosar Limited

The Company owns 40.2% of the outstanding common shares of Petrosar Limited, a world-scale petrochemical refinery. The remaining equity is held by Du Pont Canada Inc. (20%), Union Carbide Canada Limited (20%) and the Company's parent,

Canada Development Corporation (19.8%).

Under various agreements, the Company, Du Pont and Union Carbide (the Participants) are obligated to ensure the availability of any additional funds which may be required to meet the retirement provisions of Petrosar's \$100 million long-term debt and the

amounts due in respect of the dividend and redemption requirements attaching to Petrosar's \$300 million of Class A Preference Shares held by Canadian chartered banks. The Company's financing obligation is to provide 48% of these additional funds and other financial support.

Petrosar Limited

	1983 (\$ thousands)	1982 (\$ thousands)
Condensed Balance Sheet		
Current assets	313,945	300,966
Property, plant and equipment	628,711	634,278
Other assets	46,312	75,223
	988,968	1,010,467
Current liabilities	294,914	300,167
Long-term debt	100,000	100,000
Deferred income taxes	57,399	45,724
Shareholders' equity	536,655	564,576
	988,968	1,010,467
Income Summary		
Sales	958,029	1,126,442
Net loss after provision for dividends on preference shares held by banks	(52,667)	(12,719)

During the year Petrosar issued to the Participants \$25 million in subordinated preference shares for cash. The Company's share was \$12 million.

The Participants have entered into long-term take or pay con-

tracts with Petrosar to purchase all of the ethylene and a major portion of the other primary petrochemicals produced by Petrosar. During 1983, the Company's purchases from Petrosar amounted to \$182.6 million (\$193.9 million

in 1982). At December 31, 1983, the balance of the Company's monthly trade account owing to Petrosar was \$19.7 million (\$21.6 million in 1982).

4. Property, Plant and Equipment

	1983 (\$ thousands)	1982 (\$ thousands)
Land	19,782	19,725
Plant and equipment	1,168,518	1,053,858
Accumulated depreciation	(395,058)	(365,138)
	793,242	708,445

5. Long-term Debt

	1983 (\$ thousands)	1982 (\$ thousands)
Canadian Dollars		
7.5% sinking fund debentures, Series A, repayable 1985 through 1987	6,279	6,479
9% sinking fund debentures, Series B, repayable 1984 through 1993	27,401	28,299
Floating rate multi-currency revolving credit and term loan facility, currently bearing interest at 10.26%, repayable 1986 through 1992	311,158	216,144
Floating rate term loan, currently bearing interest at 10%, repayable 1986 through 1995	20,000	20,000
Floating rate term loan, currently bearing interest at 10.5%, due 1992	50,000	50,000
United States Dollars		
9.5% debentures, Series D, due 1986	50,613	50,613
Floating rate multi-currency term loan, currently bearing interest at 11.19%, due 1988	23,832	23,832
Floating rate term loans, currently bearing interest at an average rate of 11%, repayable 1984 through 1988	96,165	99,975
Notes and mortgages, currently bearing interest at an average rate of 6.95%, repayable 1984 through 2003	10,077	10,882
Capitalized lease obligation, expiring 1984 through 1985	2,973	4,109
Floating rate multi-currency revolving credit and term loan facility, currently bearing interest at 16.19% repayable 1986 through 1992	36,551	36,551
Other Currencies		
French francs, floating rate term loans, currently bearing interest at an average rate of 13.87%, repayable 1984 through 1993	24,926	20,878
Dutch guilders, 13.5%, repayable 1987 through 1991	14,190	14,190
Other non-current liabilities	7,857	5,077
	682,022	587,029
Long-term debt due within one year	21,791	7,602
	660,231	579,427

Sinking fund requirements and the long-term debt due in each of the next five fiscal years, expressed in millions, are as follows:

1984-\$21.8; 1987-\$81.8;
1985-\$27.7; 1988-\$109.2.
1986-\$127.8;

If exchange rates prevailing at December 31, 1983 were to continue until repayment, the amount of long-term debt then repayable would increase by approximately \$14 million. This change is not necessarily indica-

tive of the amount which would be repaid when the obligations are retired.

6. Minority Interest

	1983 (\$ thousands)	1982 (\$ thousands)
Minority interest in subsidiaries:		
Preferred Shares	85,000	85,000
Other	170	363
	85,170	85,363

The preferred shares issued by a subsidiary company are redeemable and have a cumulative floating rate dividend equal to 1.25% plus one-half of Canadian bank prime rate. Redemptions are required to be made in equal annual amounts from 1986 to 1988 inclusive. These shares are

redeemable at the option of the holders; however the holders have agreed not to require redemption except in certain specified circumstances, including the occurrence of any event which, in the reasonable opinion of the holders of at least a majority of these shares, materially adversely affects the financial condition of certain subsidiaries

or the Company. In the event of failure by the subsidiary company to redeem, the holders may require the Company to purchase all outstanding preferred shares for their aggregate stated value.

7. Capital Stock

	1983 (\$ thousands)	1982 (\$ thousands)
First Preferred Shares, no par value; issuable in series (authorized 10,000,000 shares); 15.5% cumulative, redeemable, non-voting shares Series A (issued and fully paid 1,769,675 shares)	44,241	44,241
Common Shares, no par value (authorized 30,000,000 shares; issued and fully paid 25,671,100 shares)	170,100	170,100
Total Capital Stock	214,341	214,341

During each month, the Company is obligated to purchase for cancellation 10,000 First Preferred Shares if, and to the extent, they are available for purchase at prices not exceeding \$25 per

share. The Company is further obligated to repurchase the First Preferred Shares July 1, 1987 if, and to the extent, they are available for purchase at a price of \$25 per share. First Preferred Shares are not redeemable prior to July 1,

1985, but thereafter, are redeemable at the option of the Company at a redemption price of \$27 per share reducing thereafter to \$25 per share.

There are no voting rights attached to preferred shares unless dividends are eight quarters in arrears.

8. Additional Information

Pension Plans

There are no material unfunded pension obligations as at December 31, 1983.

Other

The following were charged to operations during the year:

	1983 (\$ thousands)	1982 (\$ thousands)
Research and development	23,292	27,115
Depreciation	33,306	41,690
Amortization	7,815	7,236
Reduction of deferred income tax	(12,112)	(23,709)

Geographic Segmented Information

The company conducts its global operations through organizations in Canada, the United States and Europe. The sales of the respective geographic area segments are those supported by segment identifiable assets and comprise

sales both within the segment and into other market areas. Transfers between geographic segments are accounted for primarily at prices based on a combination of plant costs and market selling prices. Segment operating

results should not be regarded as an absolute indication of segment comparative profitability. The company is considered to operate in a single industry, petrochemicals, through its manufacture and sale of petrochemical products.

Geographic Segments

Year ended December 31, 1983

(\$ thousands)	Canada	U.S.A.	Europe	Eliminations	Consolidated
Sales					
–3rd Party	361,781	505,992	462,486	–	1,330,259
–intersegment	315,620	23,785	17,046	(356,451)	–
–total	677,401	529,777	479,532	(356,451)	1,330,259
Operating income	2,381	22,270	64,767	(595)	88,823
Corporate expense					(11,630)
Interest expense–net					(52,119)
Loss from equity investments					(20,398)
Minority interest					(5,683)
Income tax reduction					9,700
Net income					8,693
Identifiable assets	827,251	202,371	265,349	(3,678)	1,291,293
Corporate assets					3,030
Investments					158,662
Total assets					1,452,985

Geographic Segments

Year ended December 31, 1982

(\$ thousands)	Canada	U.S.A.	Europe	Eliminations	Consolidated
Sales					
–3rd Party	305,061	467,270	547,773	–	1,320,104
–intersegment	294,305	14,168	9,364	(317,837)	–
–total	599,366	481,438	557,137	(317,837)	1,320,104
Operating income	(18,512)	7,662	31,066	758	20,974
Corporate expense					(11,983)
Interest expense–net					(55,062)
Income from equity investments					816
Minority interest					(7,880)
Income tax reduction					22,600
Net loss					(30,535)
Identifiable assets	741,571	213,695	315,713	(3,196)	1,267,783
Corporate assets					3,373
Investments					167,192
Total assets					1,438,348

Polysar Limited Ten-Year Review

Operations (\$ millions)	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974
Sales and Other Income	1,336.9	1,328.7	1,347.4	1,180.6	1,066.9	807.3	609.4	488.9	420.9	411.7
Depreciation	33.3	41.7	35.5	29.2	25.6	25.7	26.9	18.9	20.1	19.5
Interest	54.5	60.0	50.2	37.1	31.5	28.3	21.0	14.9	15.2	14.3
Income Taxes (Reduction)	(9.7)	(22.6)	10.5	26.3	32.7	11.5	7.5	4.2	3.2	6.0
Equity Income (Loss)	(20.4)	0.8	3.8	3.3	(5.9)	(8.2)	1.0	(0.5)	(0.3)	0.4
Minority Interest	5.7	7.9	8.7	7.0	6.7	5.2	0.7	—	—	—
Net Income (Loss)	8.7	(30.5)	22.0	73.4	74.0	18.5	14.4	7.5	1.6	18.1
Preferred Dividends	6.9	6.2	5.1	7.7	7.7	7.7	6.0	4.8	3.0	—
Cash Flow	62.2	1.7	69.2	130.0	141.0	64.1	41.6	28.0	23.2	45.6

Financial (\$ millions)

Working Capital	156.2	190.3	232.4	270.0	250.5	200.8	99.1	77.8	91.2	84.4
—ratio	1.5:1	1.6:1	1.5:1	1.9:1	1.9:1	2.0:1	1.5:1	1.5:1	1.8:1	1.6:1
Capital Spending	144.2	207.0	215.9	92.5	59.8	38.8	46.5	77.2	42.6	20.4
Total Assets	1,453.0	1,438.3	1,402.5	1,044.1	909.9	766.1	646.4	530.5	415.5	398.0
Long-term Debt	660.2	579.4	427.0	228.8	203.1	205.1	191.8	160.6	97.1	99.1
Minority Interest	85.2	85.4	85.4	86.0	86.2	90.6	1.6	0.6	0.7	0.7
Shareholders' Equity	387.3	392.3	391.3	380.7	317.9	262.3	255.9	211.4	197.8	150.6

Per Common Share* (\$)

Net Income (Loss)	0.07	(1.45)	0.74	3.13	3.32	0.54	0.42	0.14	(0.07)	0.90
Cash Flow	2.42	0.07	3.03	6.19	7.04	3.20	2.08	1.40	1.16	2.28
Dividends	0.27	0.26	0.27	0.13	2.27	0.21	0.19	0.20	0.06	0.13
Shareholders' Equity	13.36	13.56	14.56	13.12	10.13	7.86	7.54	7.31	7.39	7.53

Other

Salaries, Wages and Benefits (\$ millions)	209.6	227.4	202.5	178.2	152.5	145.8	122.0	101.1	90.5	81.3
Number of Employees at yearend	5,985	6,561	7,081	6,144	5,437	6,264	6,405	6,189	5,973	6,034

* All per common share amounts have been adjusted to reflect the ten-for-one stock split in 1979

Operating Companies of the Polysar Group

Canada

Polysar Limited

World Headquarters:
Sarnia, Ontario

Plant:

Sarnia, Ontario

Resins Division:

Cambridge, Ontario
Montreal, Quebec

United States

Polysar Incorporated

Head Office:
Akron, Ohio

Rubber Sales Office:
Akron, Ohio

Custom Compounding:
Akron, Ohio
Barberton, Ohio
East Brunswick, New Jersey

Latex Division:

Chattanooga, Tennessee
Monaca, Pennsylvania

Resins Division:

Leominster, Massachusetts
Copley, Ohio

Rubber Technical Centre:
Stow, Ohio

Polysar Gulf Coast Inc.
Orange, Texas

Europe

Polysar Belgium N.V.
Antwerp, Belgium

Polysar Europa S.A.
Antwerp, Belgium

Polysar Technical Centre N.V.
Antwerp, Belgium

Bellaplast (U.K.) Ltd.
Farnham, England

Polysar (U.K.) Ltd.
Guildford and Manchester, England

Polysar France S.A. (97%)
Strasbourg, France

Société Française Polysar
Paris, France

Bellaplast GmbH
Wiesbaden, Alf and Deizisau,
Federal Republic of Germany

Polysar (Deutschland) GmbH
Wiesbaden, Federal Republic
of Germany

Polysar Verwaltungs GmbH
Wiesbaden, Federal Republic
of Germany

Wolf GmbH
Kleve, Federal Republic of Germany

Polysar Italiana S.p.A.
Milan, Italy

Bellaplast Nederland B.V.
Zwanenburg, The Netherlands

Polysar Handelmaatschappij B.V.
Arnhem, The Netherlands

Polysar Nederland B.V.
Arnhem, The Netherlands

Polysar Espanola S.A.
Barcelona, Spain

Polysar Skandinaviska A.B.
Göteborg, Sweden

Polysar Financial Services S.A.
Fribourg, Switzerland

Polysar International
Head Office:
Fribourg, Switzerland
Branches:
Hong Kong,
Tokyo, Japan

South America

Polysar do Brasil Produtos
Quimicos Ltda.
Sao Paulo, Brazil

Australia

Polysar Australia Pty. Ltd.
Melbourne, Australia

Other Interests

Comshare Limited (63%)
Toronto, Ontario

Comshare Inc. (14%)
Ann Arbor, Michigan

Petrosar Limited (40%)
Sarnia, Ontario

Bellaplast A.G. (49%)
Altstätten, Switzerland

SEFIP-Monoplast S.A. (32%)
Soustons, France

Bellaplast Kunststoffverpackungen
Gesellschaft mbH (49%)
Vienna, Austria

Hules Mexicanos S.A. (40%)
Office:
Mexico City, Mexico
Plant:
Tampico, Mexico

Board of Directors

W.A. Dimma¹
Toronto, Ontario
Chairman of the Board,
Polysar Limited
President,
A. E. LePage Limited

R.S. Dudley¹
Sarnia, Ontario
President and
Chief Executive Officer,
Polysar Limited

A.J. Ellis
Vancouver,
British Columbia
Chairman,
Canadian Advisory
Board
Marsh & McLennan
Limited

P.R. Gendron^{1*}
Hudson, Quebec
Corporate Director

J.B. Hague²
Toronto, Ontario
Executive
Vice-President,
Canada Development
Corporation

H.A. Hampson¹
Toronto, Ontario
President and
Chief Executive Officer,
Canada Development
Corporation

D.C. Jones²
Calgary, Alberta
President,
Carlton Resource
Management Limited

G.Kraijenhoff
Arnhem, The Netherlands
President,
Supervisory Council
AKZO N. V.

H.S. Ladd¹
Kingston, Ontario
Corporate Director

D.P. Owen
Toronto, Ontario
Vice-President,
Canada Development
Corporation

I.C. Rush
Sarnia, Ontario
Corporate Director

F.W. Sellers²
Winnipeg, Manitoba
Chairman,
Spiroll Kippkelly Corp.
Ltd.

D.C. H. Stanley¹
Toronto, Ontario
Corporate Director

F.C. Wilkinson
Vancouver,
British Columbia
Chairman and
Chief Executive Officer,
Wilkinson Company
Limited

Senior Corporate Management

R.S. Dudley
President and
Chief Executive
Officer

W.A. Critchley
Group Vice-President,
Finance and
Administration

M. Abbott
Vice-President,
Technology

C. Ambridge
Vice-President

A.T. Cousins
Treasurer

S.J. Goldenberg
Vice-President,
Personnel

R.B. Grogan
Controller

J. Havlik
Corporate Secretary

D.E. Wood
General Manager,
Corporate
Development

¹Member of the Executive Committee

²Member of the Audit Committee

*Deceased February 16, 1984

Senior Operations Management

G.F. Bentley
*Group Vice-President,
Rubber and Plastics*

J. Beaton
*Vice-President,
Latex and Styrenics*

P. Choquette
*Vice-President,
Rubber,
North and South
America*

D.A. Henderson
*Vice-President,
Rubber and Plastics,
Europe and Rest of
World*

R.G. Collins
*General Manager,
Formed Products,
Europe*

T.C. Green
*General Manager,
Custom
Compounding*

G.M. Hicks
*General Manager,
Latex, North and
South America*

H. Rech
*General Manager,
Latex, Europe and
Rest of World*

W.D. Rion
*General Manager,
Styrenics*



Seated left to right:
D.E. Wood
W.A. Critchley
R.S. Dudley
Standing:
S.J. Goldenberg



Standing left to right:
M. Abbott
G.F. Bentley
Seated:
J. Beaton



Left to right:
W.D. Rion
T.C. Green
G.M. Hicks
P. Choquette



Left to right:
R.G. Collins
H. Rech
D.A. Henderson



*Polysar Limited
201 Front Street North
Sarnia, Ontario
Canada N7T 7V1
Telephone (519) 332-1212*